Dylex

Annual Report

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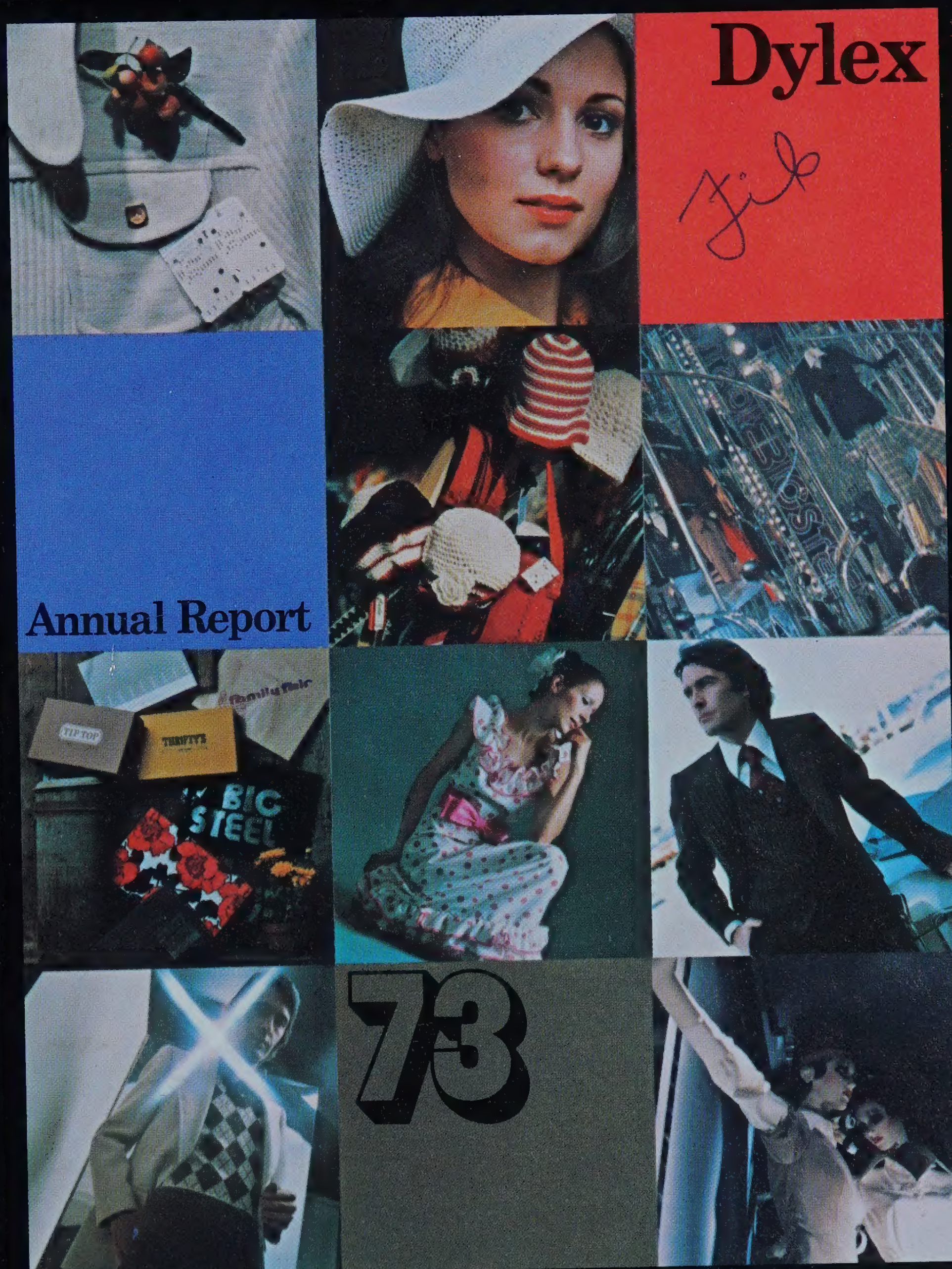

Highlights (thousands of dollars)

	1973	1972
Operating Summary		
Sales	**$134,083**	$108,103
Earnings before depreciation and interest	**11,438**	7,186
Earnings before extraordinary items	**4,933**	2,555
Net earnings	**$ 5,075**	$ 2,655
Per Share Results		
Earnings before depreciation and interest	**$1.97**	$1.24
Earnings before extraordinary items	**$0.85**	$0.44
Net earnings	**$0.87**	$0.46
Financial Position		
Working capital	**$ 12,381**	$ 11,432
Long term debt	**4,620**	6,636
Shareholders' equity	**$ 38,681**	$ 33,761
Current ratio	**1.51:1**	1.69:1
Shareholders' equity: Debt ratio	**8.37:1**	5.09:1

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To Our Shareholders

The fiscal year ended February 3, 1973 was one of substantial gains for your company. Consolidated profits rose to a record level of $4,933,000 or 85 cents per share from $2,555,000 or 44 cents the preceding year. Results exclude extraordinary net gains of $142,000 or 2 cents per share in the latest year and $100,000 or 2 cents per share a year earlier. Share results give effect to the two-for-one stock split of January 15, 1973 which increased the issued Common and Class "A" shares outstanding to 5.8 million shares.

Consolidated sales increased to $134.1 million from $108.1 million a year earlier. The past year's sales increase was the largest since the company was reorganized in 1967. In the period since that date, sales increases have averaged 18 percent compounded annually, rising to 24 percent in the year under review.

Retail & Fashion Manufacturing

Retail and fashion manufacturing profits advanced to a new high of $3,781,000 or 65 cents per share from $2,333,000 or 40 cents on a similar basis the previous year.

Sales in these groups increased 22 percent to $103.4 million from $85.1 million a year ago.

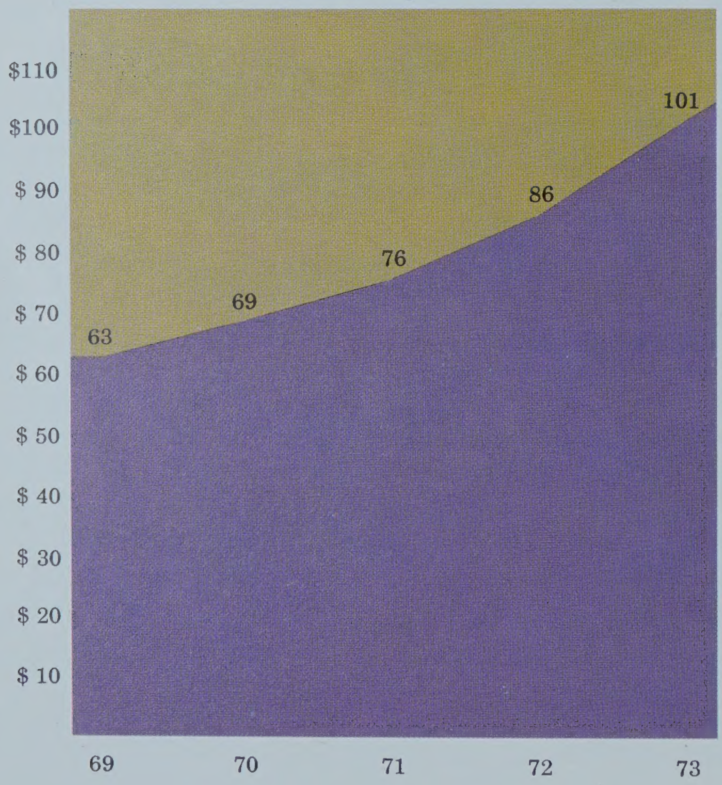
Increased sales and earnings were the result of new facilities, higher productivity from existing outlets, improved gross margins and further gains in operating efficiencies.

Thirteen new stores were opened among the three divisions in the retail group and four stores were closed, providing a net addition of 80,000 gross square feet of store space. As well as sales gained from new stores, sales per square foot, the standard measure of retail productivity, increased 17 percent to $101.

Facilities were expanded in the fashion manufacturing group and the operations of the Junior Deb and Manchester children's coat and outerwear divisions were merged in a new plant in Montreal. The group's export marketing programs were strengthened and studies are underway towards establishment of permanent facilities in the United States. Export sales in the period under review increased to $5.0 million.

Executive photos—James F. Kay, President, Wilfred Posluns, Secretary and Treasurer, Irving Posluns, Executive Vice-President, Jack Posluns, Executive Vice-President.

Retail Sales Per Square Foot
(based on average square footage in use during the year).



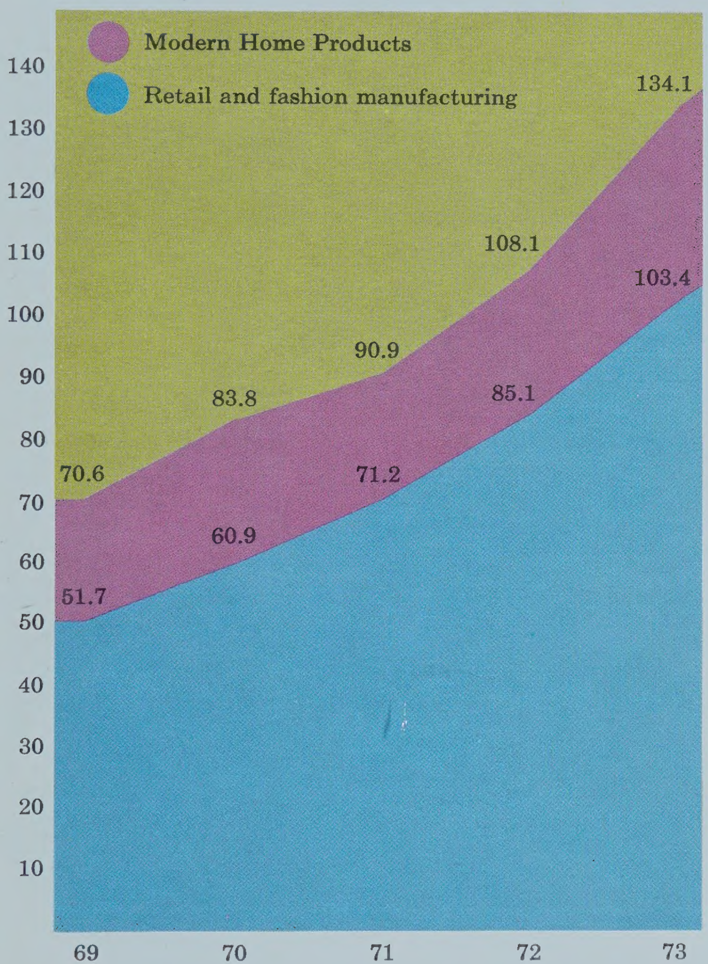
Strathearn House

Immediately following the year-end, all of the divisions making up the Modern Home Products Group were transferred to a newly established public corporation, Strathearn House Group Limited. This reorganization involved the acquisition by Strathearn of all of the shares and indebtedness of the home products divisions for a total consideration of $12,800,000, paid for by cash and a note of $3,900,000 payable over 10 years. Dylex shareholders were given the opportunity to invest directly in this new organization through a rights issue. Strathearn's total offering of 2.9 million shares was fully subscribed and the proceeds used to pay Dylex for the divisions acquired. Strathearn Class "A" shares were listed on the Toronto stock exchange April 3, 1973.

As a result of this reorganization, Dylex' long term debt (on a pro-forma basis) has been reduced by $882,000 and working capital increased by $1,635,000 with a current ratio of 1.75:1. Full details of the company's financial position are shown on the balance sheet on page 23.

This separation into two distinct organizations will facilitate the pursuit of Dylex and Strathearn of their separate growth objectives.

Group Sales
MILLIONS OF $



Acquisitions

In December, a 50 percent interest in Thrifty Riding & Sport Shop Limited was acquired. Thrifty operates 12 pant and leisure wear stores in Ontario under the name Thrifty's Just Pants and will complement the retail apparel markets served by the existing chains.

A 50 percent interest was also acquired in In-Step Shoe Shoppes Limited. In-Step operates shoe departments as a licensee in six Fairweather and Big Steel stores.

During the year we reduced our holding in Drug World Limited to 50 percent. Drug World operates 2 health and beauty aid stores and several franchised stores.

Outlook

The prospects for the current year hold out the promise of accelerated growth by your company. Continuing strength in the economy and growing consumer spending support this view. From our mature base, we expect further growth from existing stores and new openings in the many major retail facilities being developed throughout the country. The retail group plans to open more than 35 stores in the present year. This will add approximately 274,000 square feet to our existing facilities, an increase of 33 percent.

We will more than meet our capital requirements for this expansion from funds raised from the Strathearn separation together with funds generated from operations.

Over the next decade, the increasingly competitive retail world will challenge our innovative and merchandising abilities. This challenge also provides us with an opportunity to maintain and increase our market share by the use of our size, resources and management skills.

Appreciation

Our success rests ultimately with our employees for their efforts and commitment towards our mutual goals of growth and profit. On behalf of the board of directors, I extend to them appreciation for the success of the past year.

Toronto
April 30, 1973

J. F. Kay, President

Dylex Today

Dylex merchandises to a broad cross-section of the apparel and clothing markets through its own retailing divisions—Fairweather, Tip Top, Harry Rosen and Family Fair and its interests in the affiliates–In-Step Shoes and Town & Country and the non consolidated subsidiary– Thrifty's Just Pants.

In 1972, a Retail Council made up of retail division managers and senior corporate management was established and meets on a regular schedule. The Retail Council coordinates all group operations including determination of long range policies and control of budgets. Council meetings provide a forum for the interchange of merchandising concepts and sharing of techniques and market trends.

Photo: Dylex Retail Council Meeting.


Fairweather
a group
of stores
and people
who think
fashion.
BRAEMAR
fairweather
ITTING
OOMS
town and
Country
BIG STEEL
SHOE
SHOPPE

Women's Wear

Quality, contemporary merchandise in sportswear, dresses and coats is the hallmark of the Fairweather and Braemar stores, Dylex' women's wear division. Division sales rose 23 percent last year to a total of $30.6 million. The glittering Big Steel departments selling youthful fun fashions for men and women contributed more than 12 percent of this total.

During the year, five new stores were opened and two closed. In addition, two older stores were renovated to provide a forward-looking merchandising image. Average sales per square foot in the division improved 20 percent to $112.

Stores opened last year are located in Vancouver (two), Londonderry Mall in Edmonton, Hamilton's Lloyd Jackson Square and Hull, Quebec. During the year, division management concentrated on staff development and furthering the expansion planned for the next several years. Buying, control and store operations staff were increased and a new training program was implemented. A refined merchandise control system has been introduced and new incentive programs for store managers are helping to stimulate sales.

In the current year, the division is preparing for the opening of over 10 stores, several of which will test merchandising innovations. A Braemar store located in the new Four Seasons Sheraton hotel in downtown Toronto represents the division's entry into the market for more expensive, sophisticated fashions. Later in the year, another new store will emphasize fashion imports.

The division is stressing a modularized merchandising program to increase market penetration. The new Braemar stores will tap distinct markets and together with varied merchandising packages provide flexibility to adjust price and fashion mix. This approach will provide a response to the challenge of increasing competition and rapid change in consumer taste.

Town & Country Shops

Town & Country sales climbed 45 percent from the opening of new stores and through increased productivity. Nine stores were added during the year and six relocated. Sales per square foot increased 13 percent to $98.

A renovation program for older stores was completed last year to create a contemporary merchandising environment for fashion sports and casual wear throughout the 34-store chain.

The 13 new openings planned for 1973 include locations in London, Ottawa and Sault Ste. Marie.


TIP TO
ARRY ROSEN
THRIFTY'S
JUST PANTS

Men's Wear

Tip Top, Harry Rosen Men's Wear and Canadian Clothiers — Dylex' men's wear division, have established themselves as dynamic leaders in the rapidly-changing world of men's fashions. Average sales per square foot in the division improved 21 percent to $128 and total sales were up 24 percent to $35.3 million.

Sales of the popular-priced, 66-store Tip Top chain increased 23 percent to a total of $29.3 million. Tighter merchandise control and better buying, together with an improved merchandising program, yielded a higher gross margin. Incentives for store managers encouraged better cost performance and more successful in-store selling.

Last year, four new stores were opened and two closed. New shops were located in Edmonton's Londonderry Mall, Lloyd Jackson Square in Hamilton, Vancouver and Hull, Quebec.

More than fifteen openings are planned for the current year including several larger stores in the 10,000 square foot range to be opened in large metropolitan cities. The accelerated expansion program now underway will increase the total size of the Tip Top chain substantially over the next several years.

Close integration with its manufacturing unit, Canadian Clothiers, allows Tip Top to offer value in suits and sports jackets. Joint styling and materials decisions enable efficient production scheduling and close control of stock levels.

Production capacity at Canadian Clothiers has been more than doubled in recent years. In the past year, weekly output has been increased to 5,000 units per week from 4,000 and a further increase to 6,000 is planned for the coming season.

This past fall season, Canadian Clothiers introduced the "Johnny Carson" line of suits manufactured in Canada under exclusive licence. Increased production capacity and the immediate acceptance of this line contributed to a 36 percent increase in outside sales to $1.9 million.

The Harry Rosen Men's Wear specialty shops recorded a 23 percent increase in sales as turnover per square foot rose to $183 from $149. The Harry Rosen reputation for quality, style and personal attention has built total sales through their four Toronto stores to $4.1 million last year. Two additional stores are planned for the Toronto area in the coming year.

Thrifty Riding & Sport Shop Limited

In December 1972, Dylex acquired a controlling interest in Thrifty Riding & Sport Shop Limited, operating a chain of 12 pant and leisure wear stores in central Ontario. Thrifty's sales volume per square foot exceeded $300 and sales volume for the full year was in excess of $5 million. Five of the stores were opened in the past year, including outlets in Hamilton and Kitchener, Ontario.

Eight new stores are confirmed for 1973, including locations in London, Ottawa and Barrie. Stores are being expanded to carry a line of light camping equipment. Several stores feature riding apparel and accessories and an exclusive tack shop called "Tack'n Togs" is opening shortly in King City, Ontario.

A new distribution centre and headquarters will be opened, increasing warehousing space from 10,000 to 25,000 square feet.


family fair
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family fair
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FAMILY FAIR
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Family Fair

Family Fair sales rose 22 percent to $14.6 million. Four new stores were opened for a total of 18 and store space increased by 59,000 square feet. Three new outlets were located in Metro Toronto and one in Guelph, Ontario. Sandy's department store in Peterborough was renovated at year end and the expanded store was reopened as "Sandy's Family Fair".

An expansion program is underway to give the division broader coverage of the promotional family clothing market in Ontario. Eight new stores are committed for 1973 and two existing stores will be renovated, adding more than 120,000 square feet of store area.

Last year, the division occupied its new expanded headquarters and distribution centre. A new inventory and sales reporting system and more sophisticated controls has been implemented to support the growth in business.

Dylex Fashion

The Dylex involvement in the fashion and apparel trades includes the complementary aspects of merchandising and manufacturing. In the women's and children's markets these dual interests are not as closely integrated as is the case in men's wear (where Canadian Clothiers is an important supplier to Tip Top), but the benefits are similar—an effective liaison between manufacturer and merchandiser that enables each to view his total market in closer perspective.

The fashion manufacturing group enjoyed a sales rise of 16 percent in the latest year from growth of domestic and export markets. The Irving Posluns lines of women's coats, outerwear and sportswear were well received and the division's Toronto manufacturing facilities were expanded.

The Manchester and Junior Deb coat divisions moved into their new 90,000 square-foot plant, allowing production capacity of 10,000 units per week, compared with 5,500 units in the former plant. The division launched the "Thunder Bay" line of popular-priced coats for the older teenager to complement its existing labels for children and girls in the medium-price range.

Strong growth in U.S. sales by the Posluns and Manchester divisions has initiated a study of permanent manufacturing and warehousing facilities in the United States to serve that market.

National Knitting continued to meet with success in its lines of fashion knitwear for women and children. The shortening fashion cycle and styling emphasis is enabling the company to recoup markets once lost to overseas imports.

Nu-Mode Dress maintained their fashion leadership and increased sales. The division is an important contributor to manufacturing group results.

Modern Home Products

The home products divisions reported sound growth in sales and earnings in the year under review. Now a publicly-held corporation, it participates in three rapidly-growing consumer-oriented industries. In home furnishings, Troister, Singer Lighting and Emanuel Products manufacture upholstered furniture, domestic lighting fixtures, case goods and cabinetry for leading retailers and other customers. Cadillac Building products has established a unique position in the housebuilding trades as a supplier of premanufactured housing assemblies. Ackripak supplies rigid plastic packaging to food service processors and manufacturers.

Consolidated Statement of Earnings

	February 3, 1973 (53 weeks)	January 29, 1972 (52 weeks)
	(Thousands of Dollars)	
Net Sales (note 10)	**$134,083**	$108,103
Earnings from operations before the following charges	**11,586**	7,411
Depreciation (note 4)	**1,360**	1,310
Amortization of deferred charges	**148**	225
Interest on long term debt	**357**	416
Other interest	**489**	586
Earnings before income taxes	**9,232**	4,874
Income taxes	**4,578**	2,473
	4,654	2,401
Income from investments (note 1)		
—non-consolidated subsidiaries	**120**	92
—associate companies	**159**	62
Earnings before extraordinary items	**4,933**	2,555
Extraordinary items (note 11)	**142**	100
Net Earnings	**5,075**	$ 2,655
Earnings per share		
Before extraordinary items	**$0.85**	$0.44
For the year	**$0.87**	$0.46

Consolidated Statement of Retained Earnings

	February 3, 1973	January 29, 1972
	(Thousands of Dollars)	
Balance at Beginning of Year	**$ 9,169**	$ 6,516
Net earnings	**5,075**	2,655
Transfer from appraisal excess (note 4)	**22**	22
	14,266	9,193
Dividends—common shares (7½ ¢)	**68**	—
—class "A" preference shares (1973—7½ ¢; 1972—½ ¢)	**367**	24
	435	24
Balance at End of Year	**$ 13,831**	$ 9,169

The accompanying notes form an integral part of these financial statements

Consolidated
Statement of Source and Application of Funds

	February 3, 1973	January 29, 1972
	(Thousands of Dollars)	
Source of Funds		
Net earnings	**$ 5,075**	$ 2,655
Depreciation and amortization	**1,508**	1,535
Deferred income taxes	**273**	554
Income from investments	**(279)**	(154)
Funds from operations	**6,577**	4,590
Disposal of fixed assets	**1,115**	449
Disposal of goodwill	**33**	434
Increase in long term debt	**1,023**	181
Issue of capital stock	**280**	—
	9,028	5,654
Application of Funds		
Fixed assets	**2,936**	1,444
Investments	**1,761**	(24)
Reduction of long term debt	**2,815**	2,385
Dividends	**435**	24
Additions to deferred charges	**132**	252
	8,079	4,081
Increase in working capital	**949**	1,573
Working capital at beginning of year	**11,432**	9,859
Working capital at end of year	**$12,381**	$11,432

Auditors' Report

To the Shareholders of Dylex Limited

We have examined the consolidated balance sheet of Dylex Limited as at February 3, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Dylex Limited, and those subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at February 3, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 27, 1973

WM. EISENBERG & CO.
Chartered Accountants

Consolidated Balance Sheet

Assets

	February 3, 1973	January 29, 1972
	(Thousands of Dollars)	
Current		
Cash and short term deposits	**$ 55**	$ 105
Accounts receivable	**11,453**	9,364
Inventories—at lower of cost and net realizable value less normal profit margins	**24,440**	18,258
Prepaid expenses	**793**	368
	36,741	28,095
Investments and Advances		
Investment in non-consolidated subsidiaries (note 1)	**1,861**	239
Investment in associated companies (note 1)	**784**	459
Other investments	**334**	241
Advances—key employee stock plan (note 3)	**978**	1,202
	3,957	2,141
Fixed		
Land (note 4)	**1,304**	1,429
Buildings (note 4)	**4,285**	4,681
Equipment and leasehold improvements—at cost	**17,194**	15,176
	22,783	21,286
Less: Accumulated depreciation (note 4)	**9,486**	8,450
	13,297	12,836
Other		
Goodwill (note 5)	**14,285**	14,318
Deferred charges at cost less amortization	**130**	146
	14,415	14,464
	$68,410	$57,536

The accompanying notes form an integral part of these financial statements

Liabilities

	February 3, 1973	January 29, 1972
	(Thousands of Dollars)	
Current		
Bank indebtedness (note 6)	**$ 2,601**	$ 2,235
Banker's acceptances	—	1,000
Accounts payable and accrued	**14,281**	9,420
Long-term debt due within one year (note 7)	**1,909**	1,242
Income and other taxes payable	**5,250**	2,363
Advances from non-consolidated subsidiary (note 1)	**319**	403
	24,360	16,663
Long-term		
Notes and mortgages payable (note 7)	**2,142**	3,934
Convertible debenture payable (note 8)	**1,500**	1,500
Bank loan—key employee stock plan (note 3)	**978**	1,202
	4,620	6,636
Deferred income taxes	**749**	476

Shareholders' Equity

Capital Stock (note 9)		
Authorized		
6,000,000 common shares without par value		
20,000,000 class "A" participating preference shares without par value		
1,000 class "B" non-participating preference shares without par value		
Issued and fully paid		
887,070 common shares (1972 – 909,520)	**1,866**	1,913
4,938,496 class "A" shares (1972 – 4,876,046)	**21,217**	20,890
Excess of appraised value of fixed assets over cost (note 4)	**1,767**	1,789
Retained earnings	**13,831**	9,169
	38,681	33,761
	$68,410	$57,536

J. F. Kay

W. Posluns

Approved on behalf of the board

J. F. Kay, Director

W. Posluns, Director

Notes
to Consolidated Financial Statements as at February 3, 1973

1. Principles of Consolidation

The consolidated financial statements include the accounts of the following subsidiaries and divisions of Dylex Limited:

Dylex (excluding Modern Home Products)		Modern Home Products (Strathearn) (note 17)
Divisions		
Tip Top Tailors Canadian Clothiers	Manchester Children's Wear Posluns Sportswear	Cadillac Building Products Singer Lighting Company
Wholly-owned Subsidiaries		
Fashion Council Limited Harry Rosen Men's Wear Limited Family Fair Inc. (formerly MacSam Investments Limited) Fairweather Inc. (formerly The Family Fair Stores Limited)	Bradford Spinners Limited National Knitting Mills Company Limited Nu-Mode Dress Company (a division of Fairweather Inc.)	Emanuel Products Limited Troister & Company Limited Ackripak Limited Strathearn House Group Limited (formerly Hareve Leasehold Investments Limited) Roti-Wood Products (Fergus) Limited

The consolidated financial statements do not include the accounts of Dylex Acceptance Corporation Limited, a wholly-owned subsidiary, which is not consolidated because of the different nature of its business, and Thrifty Riding and Sport Shop Limited, which was acquired late in the fiscal period. The Company accounts for its investment in non-consolidated subsidiaries and associate companies on the "equity method", (cost plus the Company's share of undistributed net income since acquisition).

2. Acquisitions

By private agreements made as of October 28, 1972, the Company made the following share acquisitions for cash, accounted for on the "purchase accounting" method:

Thrifty Riding and Sport Shop Limited, a retailer of casual clothing—50.01%
In-Step Shoe Shoppes Limited, a retailer of women's shoes—50%

The Company's policy is not to amortize the goodwill unless its value is impaired.

3. Key Employee Stock Plan

150,000 common shares and 650,000 class "A" participating preference shares have been allocated to the Trustees of the Company's key employee stock plan to be issued at a price not exceeding a 15% discount from market at the time of allotment. As at February 3, 1973, 150,000 common shares and 538,566 class "A" participating preference shares have been issued. To facilitate the purchase of these shares by key employees, the Company has provided $978,000 as at February 3, 1973, to the Trustees of the plan, to be repaid over a period not exceeding ten years.

4. Fixed Assets and Depreciation

The Company's property at 637 Lake Shore Boulevard West, Toronto, was appraised in December 1967. The appraisal excess applicable to this building is being transferred to retained earnings in amounts equal to the realization of appreciation through depreciation provisions of $22,000 annually. Other properties are recorded at cost.

Depreciation is calculated, using the straight line method, on the following basis:

Buildings	2½%
Equipment and leasehold improvements	10%
Automotive	25%

5. Goodwill

	1973	1972
Goodwill paid on acquisition of businesses	$ 4,355,000	$ 4,368,000
Excess of cost of subsidiaries over net assets at date of acquisition	9,930,000	9,950,000
	$14,285,000	$14,318,000

The decrease in goodwill during the year resulted primarily from the sale of a 50% interest in Drug World Limited. The Company's policy is not to amortize the goodwill unless its value is impaired.

6. Bank Indebtedness

This amount is secured by a pledge of book debts and inventories.

7. Notes and Mortgages Payable

	1973	1972
Notes Payable		
8% Promissory notes, secured by a mortgage, due March 1, 1979	$ 643,000	$ 673,000
7% Subordinated promissory notes, due February 15, 1972	—	1,060,000
Other	773,000	659,000
	1,416,000	2,392,000
Mortgages Payable		
9¼% First mortgage, due October 15, 1973	1,680,000	1,726,000
First mortgage, interest at prime bank rate, plus ½%, due February 14, 1974	—	855,000
9½% First mortgage, due December 1, 1997	649,000	—
Other	306,000	203,000
	2,635,000	2,784,000
Total notes and mortgages payable	4,051,000	5,176,000
Less: Due within one year	1,909,000	1,242,000
	$ 2,142,000	$ 3,934,000

8. Convertible Debentures Payable

These debentures are non-interest bearing, due July 2, 1974, and are secured by a pledge of all the issued and outstanding shares of National Knitting Mills Company Limited and Bradford Spinners Limited. These debentures are convertible prior to maturity at the option of the holders, into 100,000 class "A" preference shares.

9. Capital Stock

On January 15, 1973, by supplementary letters patent, each of the 10,000,000 class "A" participating preference shares and 3,000,000 common shares, issued and unissued, were subdivided into 20,000,000 class "A" participating preference shares and 6,000,000 common shares respectively. All references in these financial statements give effect to this two-for-one split. Common shares are convertible into class "A" participating preference shares on a one-for-one basis.

During the year, 22,450 common shares were converted. The Company issued to the key employee stock plan 40,000 class "A" participating preference shares for an aggregate consideration of $280,000.

10. Segment Sales

	1973	1972
Retail	$ 80,945,000	$ 66,253,000
Fashion Manufacturing	22,447,000	18,899,000
Modern Home Products (note 17)	30,691,000	22,951,000
	$134,083,000	$108,103,000

11. Extraordinary Items

	1973	1972
Gain on disposal of fixed assets, net of income taxes of $16,000 (note 14)	**$142,000**	—
Gain on sale of interests in plastics division, net of income taxes of $33,000	—	$100,000

12. Earnings Per Share
Earnings per share have been calculated on the weighted average of common and class "A" participating preference shares outstanding during the year.
The dilution of earnings per share, assuming the conversion of the convertible debentures (note 8), would be 1 cent in 1973.

13. Remuneration of Directors and Officers
The following statutory information is stated in compliance with the Canada Corporations Act and The Securities Act (Ontario).

	Number			Remuneration	
	Directors	Officers	Directors Also Officers	Directors	Officers
Dylex Limited	11	6	6	Nil	$559,000

14. Lease Commitment
Aggregate minimum rentals of equipment and properties (exclusive of additional rentals based on percentage of sales and occupancy charges) are as follows:

Year ended February 2, 1974	$ 5,037,000
The next 4 years	17,467,000
After January 28, 1978, up to March 31, 1998	32,091,000
	$54,595,000

On June 1, 1972, the Company disposed of its property at 201 Carlaw Avenue, Toronto, for a price of $1,000,000 resulting in a net gain, after income taxes, of $142,000 (note 11). As part of this transaction, the Company agreed to lease these premises for a net rental of $101,000 per annum for a term of 25 years, with an option to renew for an additional 10 years.

15. Contingent Liabilities

Guarantee of Dylex Acceptance Corporation Limited's loans and lease obligations	$ 8,640,000
Guarantee of associated company's bank loans	500,000
Counterclaim against the Company for $1,068,000 of which $1,000,000 is without merit in the opinion of the Company's solicitors	1,068,000
	$10,208,000

16. Change of Name
By supplementary letters patent, dated June 5, 1972, the Company changed its name from Dylex Diversified Limited to Dylex Limited.

17. Events Subsequent to Year End
On February 5, 1973, two divisions in the Home Products Group (note 1) were disposed of by the Company to wholly-owned subsidiaries. The company by a similar transaction transferred all of the issued and outstanding shares of the five subsidiaries in the Home Products Group and their respective indebtedness to Dylex to Strathearn House Group Limited at a price equal to their cost to Dylex of $12,800,000. Dylex received $8,900,000 in cash and a 7% unsecured note for $3,900,000 repayable in equal monthly instalments for 10 years, based on 15-year amortization, with balance due at the end of the tenth year.

Consolidated Earnings by Group

(Unaudited—thousands of dollars)			February 3, 1973
	Dylex (Excluding Modern Home Products)	Modern Home Products (Strathearn)	Total
Sales—Net	$104,633	$ 30,693	$135,326
Less: Inter-group	1,241	2	1,243
	103,392	30,691	134,083
Earnings from operations before depreciation and interest	8,215	3,223	11,438
Depreciation	978	382	1,360
Interest	289	557	846
Earnings before income taxes	6,948	2,284	9,232
Income taxes	3,446	1,132	4,578
	3,502	1,152	4,654
Equity in non-consolidated subsidiaries	279	—	279
Earnings before extraordinary items	$ 3,781	$ 1,152	$ 4,933
Earnings per share (after split)	$0.65	$0.20	$0.85

			January 29, 1972
	Dylex (Excluding Modern Home Products)	Modern Home Products (Strathearn)	Total
Sales—Net	$ 86,734	$ 23,003	$109,737
Less: Inter-group	1,582	52	1,634
	85,152	22,951	108,103
Earnings from operations before depreciation and interest	5,908	1,278	7,186
Depreciation	925	385	1,310
Interest	559	443	1,002
Earnings before income taxes	4,424	450	4,874
Income taxes	2,245	228	2,473
	2,179	222	2,401
Equity in non-consolidated subsidiaries	154	—	154
Earnings before extraordinary items	$ 2,333	$ 222	$ 2,555
Earnings per share (after split)	$0.40	$0.04	$0.44

Notes:

1. Group earnings have been charged with unallocated Corporate expenses based on Net Sales. Interest expense on inter-group borrowings of the Modern Home Products group was charged at 7%.
2. Prior year's earnings for the Modern Home Products group have been restated to make them comparable. The effect has been to increase interest charges by $132,000 and to decrease management fees and shared depreciation by $127,000.

Dylex Limited (and subsidiary companies)

Statistical Review (1)

(in thousands of dollars)	**1973**	1972	1971	1970	1969
Operations					
Sales: Women's	**$ 30,629**	$ 24,918	$ 18,387	$ 16,337	$ 14,203
Men's	**35,326**	28,450	24,432	21,021	16,905
Family	**14,990**	12,885	11,586	8,390	4,727
Fashion Manufacturing	**23,688**	20,481	17,803	15,927	16,155
Modern Home Products	**30,693**	23,003	19,767	22,926	18,920
Less: Inter-group	**(1,243)**	(1,634)	(1,045)	(783)	(289)
	134,083	108,103	90,930	83,818	70,621
Earnings from operations before depreciation and interest	**11,438**	7,186	3,477	4,123	4,577
Earnings before extraordinary items	**4,933**	2,555	606	1,256	1,486
Extraordinary items	**142**	100	302	107	719
Net earnings	**$ 5,075**	$ 2,655	$ 908	$ 1,363	$ 2,205
Per Share Results (2)					
Earnings before extraordinary items	**$0.85**	$0.44	$0.11	$0.22	$0.30
Net earnings (3)	**$0.87**	$0.46	$0.16	$0.24	$0.44
Book value per share	**$6.67**	$5.83	$5.38	$5.25	$5.03
Average shares outstanding	**5,803,000**	5,786,000	5,774,000	5,694,000	5,000,000
Financial Position					
Working capital	**$ 12,381**	$ 11,432	$ 9,859	$ 9,770	$ 12,151
Fixed assets (net)	**13,297**	12,836	13,151	11,172	7,866
Shareholders' equity	**$ 38,681**	$ 33,761	$ 31,130	$ 30,134	$ 28,643
Retail Statistics					
Number of stores	**124**	117	109	116	109
Store space at year-end (square feet)	**831,000**	760,000	700,000	626,000	575,000
Sales per square foot (4)					
Women's	**$112**	$ 93	$ 78	$ 64	$ 50
Men's	**$128**	$106	$ 96	$ 87	$ 78
Family	**$ 60**	$ 55	$ 50	$ 48	$ 74
Total group	**$101**	$ 86	$ 76	$ 69	$ 63
Stock turns	**3.8**	3.8	2.8	2.5	2.2
Number of Shareholders	**2,693**	2,680	2,337	2,169	775

(1) For the years ended Saturday closest to January 31 of each year. 1970 and 1969 results have been restated to include sales and earnings of businesses for periods prior to acquisition.

(2) Earnings per share are computed on the weighted average of common and class "A" shares outstanding during the year and adjusted for the subdivision of shares in 1968 and 1972. To reflect the subsequent restatement, shares issued for businesses acquired in 1969 and 1970 are considered as having been issued in 1968.

(3) Extraordinary items in 1969 and 1970 resulted from application of prior years' loss carry forward. 1971, 1972 and 1973 extraordinary items are due to gains on sale of fixed assets.

(4) Based on average gross square footage in use during the year and excluding health and beauty aids which were principally franchised, until 50% sale of interest in July, 1972 and outside sales of Canadian Clothiers, a manufacturer whose operations are interdependent with the men's retail division.

Pro-forma Balance Sheets

as at February 3, 1973

Assets

	Dylex Limited	Strathearn House Group Limited
	(Thousands of Dollars)	
Current		
Cash and short term deposits	$ 8,428	$ —
Accounts receivable	4,286	7,167
Inventories	19,343	5,097
Prepaid expenses	677	116
	32,734	12,380
Investments and Advances		
Investment in non-consolidated companies and advances	3,623	—
Other investments	4,219	15
	7,842	15
Fixed		
Land	1,181	123
Buildings	3,589	696
Equipment and leasehold improvements	13,083	4,111
Less: Accumulated depreciation	(7,341)	(2,145)
	10,512	2,785
Other		
Goodwill	10,620	3,665
Deferred charges	65	141
	10,685	3,806
	$61,773	$18,986

Liabilities

	Dylex Limited	Strathearn House Group Limited
Current		
Bank indebtedness	$ —	$ 5,200
Accounts payable and accrued	11,851	2,505
Long term debt due within one year	1,876	33
Income and other taxes payable	4,672	578
Advances from non-consolidated subsidiaries	319	—
	18,718	8,316
Long-term	3,771	4,749
Deferred income taxes	603	146
Shareholders' Equity	38,681	5,775
	$61,773	$18,986

Note:

The Pro-forma balance sheets for Dylex and Strathearn reflect the following transactions:
(1) Sale of Modern Home Products by Dylex to Strathearn for $12,800,000 payable by a note for $3,900,000 and $8,900,000 in cash.
(2) Issuance of capital stock by Strathearn for $5,775,000 net of brokers' commissions of $50,000.
(3) Deferral of organization expenses of $75,000.

Dylex
Retail Store Locations

	Tip Top	Fairweather	Family Fair	Harry Rosen	
British Columbia	**8**	**2**			
Vancouver	6	2			
Victoria	2				
Alberta	**10**	**3**			
Calgary	4	1			
Edmonton	5	2			
Lethbridge	1				
Saskatchewan	**2**	**1**			
Regina	1				
Saskatoon	1	1			
Manitoba	**4**	**1**			
Winnipeg	4	1			
Ontario	**25**	**23**	**18**	**4**	
Belleville			1		
Burlington	1	2	1		
Guelph			1		
Hamilton	2	1	1		
Kingston	1	1	1		
Kitchener/Waterloo	2	1	1		
London		1			
Oshawa	1	1	1		
Ottawa	4	3			
Peterborough			1		
St. Catharines	1	2			
Sarnia			1		
Sault Ste. Marie			1		
Sudbury		1			
Toronto (Metro)	12	9	7	4	
Welland			1		
Windsor	1	1			
Quebec	**10**	**4**			
Montreal (Metro)	6				
Quebec City	2	3			
Chicoutimi	1				
Hull	1	1			
New Brunswick	**2**	**1**			
St. John	1				
Moncton	1	1			
Nova Scotia	**4**	**1**			
Halifax	4	1			
Newfoundland	**1**				
St. John's	1				
	66	**36**	**18**	**4**	**Total: 124**

Directors
L. H. Posluns
J. F. Kay
W. Posluns
I. Posluns
J. Posluns
S. F. Kay
D. Korn
L. Weinberg
A. H. Zaldin, Q.C.
H. J. Stitt, Q.C.
W. H. Singer

Executive Officers
L. H. Posluns, Chairman of the Board
J. F. Kay, President
I. Posluns, Executive Vice-President
J. Posluns, Executive Vice-President
W. Posluns, Secretary and Treasurer

Transfer Agent and Registrar
National Trust Company, Limited

Auditors
Wm. Eisenberg & Co., Chartered Accountants

Bankers
Bank of Montreal

Listed On
Toronto Stock Exchange

Head Office
637 Lake Shore Boulevard West,
Toronto, Canada

DYLEX

637 Lakeshore
Boulevard, West
Toronto

DYLEX

Interim
Report to
Shareholders
Six months
ended
August 4
1973

Report to Shareholders

Consolidated net sales rose by 27 percent or $11,746,000 for the first six months of 1973 to $55,151,000.

Profit rose to $1,168,000 or 20 cents per share from $801,000 or 14 cents per share a year ago. An extraordinary item brought net earnings for the period a year ago to $981,000 or 17 cents per share. There was no corresponding item this time.

Two Thrifty's stores were opened in the second quarter bringing the total number of stores to 158 at August 4th. Total selling space is now more than 970,000 square feet. Planned store openings in the second half include 6 Fashion Council, 7 Tip Top, 4 Family Fair and 3 Thrifty's.

Your company has entered into an agreement to acquire Jermaines, a long-established Vancouver women's wear retailer which, when the transaction closes, will add three stores to the Fairweather division. Subsequent to the period, Thrifty's have expanded into Western Canada through the acquisition of a 12-store chain in Winnipeg, Calgary and Edmonton.

Subsequent to the period, Dylex also purchased the majority interest in Forsyth Trading Company Limited, Mylord Shirt Manuafacturing Limited and Bluestone Shirt Company Limited. These companies, with combined annual sales of approximately $19 million, are among Canada's largest shirt manufacturers under the well-known brand names of Forsyth, Fruit of the Loom and Donegal.

September 6, 1973 James F. Kay, President

CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	For the six months ended		
	August 4, 1973	July 29, 1972 restated (Note)	July 29, 1972
	(Thousands of Dollars)		
Sales			
Retail	**$42,939**	$33,348	$33,348
Fashion Manufacturing	**13,016**	10,746	10,746
Modern Home Products	—	—	12,057
Less: Inter-group	**(804)**	(689)	(689)
Net Sales	**55,151**	43,405	55,462
Earnings from operations	**3,046**	2,001	3,272
Depreciation	**574**	485	668
Interest	**161**	120	363
Earnings before income taxes	**2,311**	1,396	2,241
Provision for income taxes	**1,109**	678	1,089
	1,202	718	1,152
Income from investments	**86**	83	83
	1,288	801	1,235
Minority interest in subsidiary earnings	**120**	—	—
Net earnings before extraordinary item	**1,168**	801	1,235
Extraordinary item	—	180	180
Net earnings for the period	**$ 1,168**	$ 981	$ 1,415
Earnings per share			
before extraordinary item	**$ 0.20**	$ 0.14	$ 0.21
for the period	**$ 0.20**	$ 0.17	$ 0.24

Note:—The 1972 restated figures exclude the former Modern Home Products Group.

CONSOLIDATED STATEMENT OF SOURCE & APPLICATION OF FUNDS

(Unaudited)

	For the six months ended	
	August 4, 1973	July 29, 1972
	(Thousands of Dollars)	
SOURCE OF FUNDS		
Sale of Modern Home Products Group		
Sale Price	**$12,800**	—
Less: net current assets sold	**(7,265)**	—
non-current note receivable as partial payment	**(3,900)**	—
	1,635	—
Working capital acquired on consolidation of Thrifty's	**517**	—
Funds from operations	**1,794**	$ 1,920
Disposal of fixed assets	**193**	1,147
Change in minority interest	**120**	—
	4,259	3,067
APPLICATION OF FUNDS		
Fixed assets	**1,072**	1,106
Dividends	**349**	145
Investments	**52**	218
Deferred income taxes	**20**	—
Reduction of long term debt	**1,335**	790
Deferred Charges	**132**	—
	2,960	2,259
INCREASE IN WORKING CAPITAL	**1,299**	808
Working capital beginning of period	**12,381**	11,432
Working capital end of period	**13,680**	12,240
	$ 1,299	$ 808